



UNITED STATES DEPARTMENT OF COMMERCE  
The Under Secretary of Commerce  
for Oceans and Atmosphere  
Washington, D.C. 20230

## INFORMATION MEMORANDUM

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MEMORANDUM THROUGH THE DEPUTY SECRETARY

FOR THE SECRETARY

FROM: Conrad C. Lautenbacher, Jr. *CC Lautenbacher*  
Vice Admiral, U.S. Navy (Ret.)  
Under Secretary of Commerce for  
Oceans and Atmosphere

SUBJECT: Estimate of Gulf of Mexico Fisheries Recovery

### 1. SUMMARY

The National Oceanic and Atmospheric Administration (NOAA) was requested to provide an estimate of the funds required to rebuild the entire Gulf of Mexico fishing industry. As NOAA does not maintain such data internally, it relies on data from the states transmitted through the Gulf States Marine Fisheries Commission (Commission) and estimates compiled by the Gulf of Mexico Fishery Management Council (Council). A summary of data and recommendations provided by those sources is presented below. Since the situation continues to be assessed and data is preliminary, the figures included are subject to change.

### 2. DISCUSSION

NOAA has received information on hurricane impacts and rebuilding needs in the Gulf of Mexico from two different sources. State-by-state economic impact data as reported by each affected state was compiled and transmitted to NOAA by the Commission. NOAA cannot verify the accuracy of this information as it is based on internal state data and assessments. Additionally, the Council has provided a list of recommended projects and programs that would, in the Council's view, not just restore the Gulf fishing industry to pre-hurricane status, but also address several pre-existing problems by seeking changes intended to promote long-term health, stability, and viability across the fishing industry.

#### **Commission Impact Assessment**

The impact estimates come from each of the affected Gulf states and are based on the best available information as of November 3, 2005. These estimates are dynamic and subject to change as more information becomes available. Estimates do not share a standard metric throughout the region and, therefore, are not directly comparable (i.e., 'marine dockside loss' does not necessarily have the same definition from one state to another).

Please see Attachment 1 for a complete state-by-state breakdown of hurricane impacts. The impacts provided by the Commission total approximately \$3 billion. According to the Commission, infrastructure losses are at least \$330 million. This does not include Alabama and



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Texas where losses are yet to be estimated. Please note this data set reflects the impacts of the hurricanes and the estimated cost to rebuild Gulf fisheries to their previous condition.

### **Council Recommended Projects and Programs**

The Council has recommended a list of projects and programs that would rebuild Gulf fisheries and enact several measures to improve the long-term economic health and stability to the fishing industry. The National Marine Fisheries Service (NMFS) has divided the Council's recommended projects into three categories: 1) those that would restore infrastructure needed to support commercial and recreational fisheries; 2) those that would provide financial assistance, job retraining programs, and other types of support services to fishermen adversely affected by hurricane events; and 3) those that would improve conservation and management of Gulf of Mexico fisheries over the long-term via the development and funding of programs to address capacity reduction, bycatch reduction, data collection, monitoring, and enforcement programs. Please see Attachment 2 for an itemization of the Council's recommended projects. This represents NMFS' best estimate of the costs of the Council's recommendations, but is subject to revision as more information becomes available. Please note, the Council projects and cost estimates are separate and distinct from those fishery restoration projects proposed by NOAA as part of the Administration's disaster relief and response effort.

NOAA is unable to provide a comprehensive cost estimate of infrastructure replacement projects (Category 1), as complete data from the states is not available. As referenced above, a partial estimate of infrastructure losses is possible (at least \$330 million), but NOAA cannot determine if the cost of replacing lost infrastructure is equal or similar to the value of lost infrastructure.

The initial estimated costs of the Council's recommended financial assistance projects (Category 2) total approximately \$11.5 million. Financial assistance and retraining programs would include contracting with fishing vessels to remove hurricane debris from federal and state waters, and facilitating the exit of fishermen who want to voluntarily leave the fishery. The Council also proposed waiving the cost recovery provision of the Magnuson-Stevens Fishery Conservation and Management Act as it applies to the proposed red snapper Individual Fishing Quota program, and the minimum income requirement to renew permits for three years for fishermen whose vessels or fish houses were damaged or destroyed by hurricane events.

The initial estimated costs of programs recommended by the Council to improve long-term conservation and management of federal Gulf of Mexico fisheries (Category 3) total approximately \$873 million. Specific projects proposed by the Council would reduce overcapacity and improve bycatch reduction, data collection, monitoring, and enforcement in federal Gulf of Mexico fisheries. *Capacity reduction programs account for about \$246 million of the \$873 million estimate.* They also raise the question of whether our goal is to simply restore the Gulf fisheries to pre-hurricane status, or to affect change to certain overcapitalized industries to ensure long-term viability and health.

### **Conclusions**

By making these recommendations, the Council has effectively offered its own view of what constitutes recovery for the Gulf fishing industry. NOAA estimates the cost of the Council's plan to be at least \$1.2 billion. This figure could be much smaller based on the amount of policy

discretion the Department is willing to exercise. Moving forward, the Department has two choices:

- 1) Accept the Council's view of what recovery should constitute; or
- 2) Develop the Department view as to what the appropriate federal response should be, using the Council's list as a starting point.

The latter option would likely yield a less costly plan, but would require policy choices on which NOAA would need guidance from the Department. NOAA would like to discuss these policy issues with the Department as soon as it is convenient.

### **Recommendations**

While some of these estimates are uncertain, may not be directly comparable, and/or have not been verified, they represent the best information available as of November 3, 2005. I recommend these be used as a starting point in discussions on hurricane related recovery and restoration activities for Gulf of Mexico fisheries. Further, I recommend that appropriate NOAA and Departmental staff begin discussions on the policy decisions that must be made in order to develop and estimate the costs of our own Gulf fisheries recovery plan.

## **ATTACHMENT 1: SUMMARY OF STATE ESTIMATES OF HURRICANE RELATED IMPACTS TO GULF OF MEXICO MARINE FISHERIES IN 2005**

These estimates reflect available information as of November 3, 2005, and are subject to revision.

### **Alabama**

- \$250,000, enforcement losses
- \$350,000, marine biological program losses
- \$38.59 million, marine dockside revenue loss
- \$138.4 million, processed marine product loss
- \$356.5 million, one year economic impact of the recreational sector loss
- Unknown, infrastructure loss

### **Florida**

- \$111 million, marine dockside revenue loss
- \$34.65 million, gear replacement
- Greater than \$10 million, infrastructure loss
- \$80-\$140 million, lost economic activity to the Keys
- \$3-\$9 million, red tide impacts

### **Louisiana**

- \$262 million, marine dockside revenue loss
- \$268 million, docks and infrastructure replacement
- \$30 million, for-hire industry boat and facility loss
- \$104.25 million, reef rehabilitation and oyster transplant
- \$36.2 million, Department of Wildlife and Fisheries facilities repair
- \$10 million, restoration of coastal wetlands

### **Mississippi**

- \$31 million, marine dockside revenue loss
- \$98 million, lost economic output associated with dockside revenue loss
- \$9 million, pier replacement
- \$672,000, menhaden fishery net replacement
- \$293 million, economic output associated with marine recreational expenditures
- \$42.6 million, seafood dealer and processor facilities losses
- \$9.3 million, seafood product losses

### **Texas**

- \$48.9 million, marine dockside revenue loss, five months
- \$79.2 million, lost economic output associated with dockside revenue loss
- \$232 million, lost marine recreational expenditures, one year
- \$496 million, lost economic output associated with lost marine recreational expenditures
- Unknown, infrastructure loss

ATTACHMENT 2: ESTIMATED COSTS OF FISHERY RESTORATION PROJECTS PROPOSED BY THE GULF OF MEXICO FISHERY MANAGEMENT COUNCIL

					COST	SUB-TOTAL
<b>Category 1: Infrastructure Replacement and Repair</b>						
1. Infrastructure					Unknown; See Attachment 1	
<b>Category 2: Financial Assistance, Job Retraining and Support</b>						
2. Job Retraining	(cost estimate from Maine retraining example: \$13 mil & 1,300 individuals)					
	Persons		Cost/Person			
	1000	1	\$10,000		\$10,000,000	
3. Cost Recovery Program Waiver	((3%*4.5 mp/yr*\$3.77/LB)*3yrs); price/LB reflects increased IFQ value)					
	LBs/Year	Years	Price/LB			
	4,500,000	3	\$3.77		\$1,526,850	\$11,526,850
<b>Category 3: Conservation and Management Improvement</b>						
4. Buybacks	(50% buyback shrimp fishery, 20% other sectors; cost per unit reflects 1-year average gross revenue)					
	Vessels	Units	Cost/Unit			
Shrimp Fishery (2000) (post Amd13 active 2004 fleet)	1,019	1	\$207,000		\$210,933,000	
Red Snapper Fishery (top 131 vessels; reflects ifq value)	26	1	\$190,000		\$4,940,000	
For-Hire Fishery (fleet=1,670 vessels, cb only)	334	1	\$91,000		\$30,394,000	
5. Gear Replacement	(gear-all vessels; TEDs-all trawl vessels; BRDs-federal+FL+TX vessels)					
	Vessels	Units	Cost/Unit			
Gear Large Vessels	2,100	10	\$900		\$18,900,000	
Small Vessels	9,000	4	\$900		\$32,400,000	
TEDs Large Vessels	2,100	10	\$300		\$6,300,000	
Small Vessels	6,000	4	\$300		\$7,200,000	
BRDs Large Vessels	2,100	10	\$175		\$3,675,000	
Small Vessels	1,500	4	\$175		\$1,050,000	
6. VMS (federal vessels only) (purchase+1yr maintenance; intermediate cost RF Amd18A)	Vessels	Units	Cost/Unit			
Reef Fish Fishery	1,145	1	\$2,842		\$3,254,090	
Shrimp Fishery (active qualifying vessels, 2004)	2,037	1	\$2,842		\$5,789,154	
7. Electronic Logbooks (federally permitted shrimp vessels)	Vessels	Units	Cost/Unit	Admin Costs/year		
All vessels (active qualifying vessels, 2004)	2,037	1	\$500	\$210,100		\$1,228,600
8. Observer Program (3 years; includes training, travel, salary & payment to vessel=\$1,050)	Days/Year	Years	Cost/Day			
Shrimp Fishery (1% of days at sea, Shrimp 13)	5,380	3	\$1,050		\$16,947,000	
Reef Fish Fishery (bycatch report)	490	3	\$1,050		\$1,543,500	
9. Sonar Project	Days/Year	Years	Cost/Day			
	1,500	2	\$1,500		\$4,500,000	
10. Cooperative Research Program (3 times 2005 budget per year)	3	3	\$1,500,000			\$13,500,000
11. Habitat Restoration						\$510,600,000
12. Seafood Safety and Marketing					Unknown	\$873,154,344
<b>TOTAL</b>						<b>\$884,681,194</b>